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Director-
Federal Regulatory

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June 19, 1998

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JUN 19 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M St., N.W., Room 222
Washington, D.C. 20554

98-91

Re: CC Docket No. ~~98-111~~ In the Matter of Southwestern
Bell Telephone Company, Pacific Bell and Nevada Bell
Petition for Relief from Regulation Pursuant to Section 706
of the Telecommunications Act of 1996 and 47 U.S.C. 160 for
ADSL Infrastructure

Dear Ms. Salas:

In accordance with the Commission's rules, please be
advised that on Thursday, June 18, Mr. Lincoln Brown and
the undersigned, representing Southwestern Bell Telephone
Company, Pacific Bell and Nevada Bell (the "SBC LECs"),
spoke with Mr. Jose Rodriguez, Chief, Accounting Systems
Bureau, and Mr. Ron Kaufman, Mr. Thad Machinski, Ms. Alicia
Dunnigan, Mr. Mark Stephens and Mr. Tom Quaile of the
Accounting Systems Branch of the Accounting Safeguards
Division.

Materials provided during the meeting are attached.
Specifically, this discussion was held to discuss the SBC
LEC's proposal to use the Accounting Safeguards used for
Nonregulated Offerings for the investment, expenses and
revenues associated with the ADSL infrastructure and
investment. The SBC LEC's proposal would utilize existing
procedures to apply the principles and requirements of CC
Docket No. 86-111 and the requirements of Part 64,
including the Cost Allocation Manual (CAM) and its review
and audit process to address any cross-subsidy concern.
Such procedures already exist and are utilized for other
nonregulated services and for incidental interLATA services

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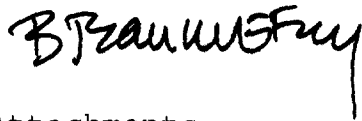
pursuant to CC Docket No. 96-150 and for E911 services
pursuant to CC Docket No. 96-149.

An original and one copy of this letter and the attachments
are being submitted. Acknowledgement and date of receipt
of this transmittal are requested. A duplicate transmittal
letter is attached for this purpose.

Please include this letter in the record of these
proceedings in accordance with Section 1.1206(a)(2) of the
Commission's Rules.

Questions concerning this matter may be directed to me at
202-326-8894.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Braumwiler". The signature is written in a cursive, slightly slanted style. The first letter "B" is large and prominent. The last letter "y" has a long, thin vertical stroke extending downwards.

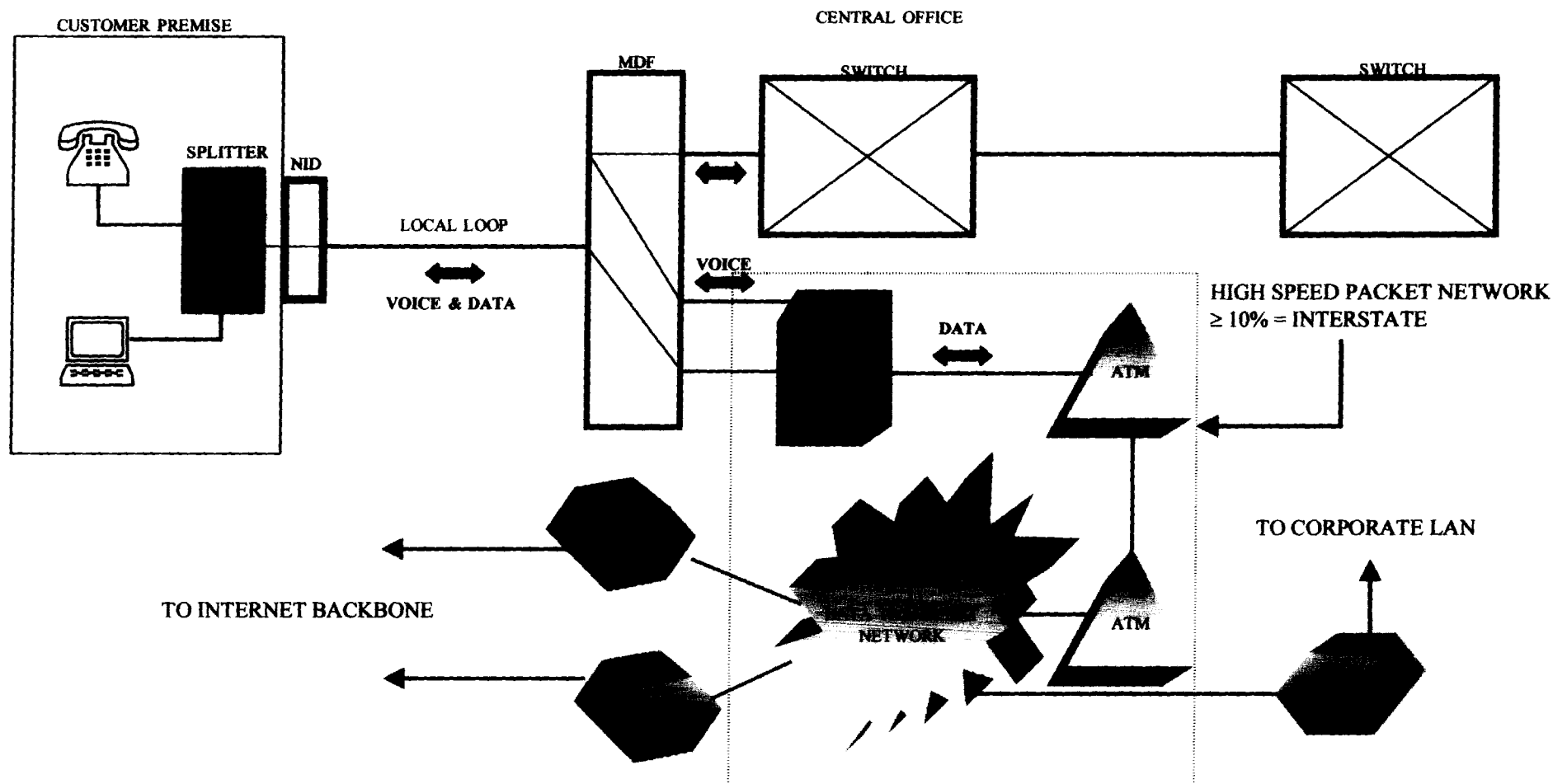
Attachments

CC: Mr. Ken Moran, Chief, Accounting Safeguards Division
Mr. Jose Rodriguez, Chief, Accounting Systems Branch

**SBC filed Petition for Relief from Section 706 of the
Telecommunications Act on June 9, 1998
CC Docket No. ⁹⁸⁻⁹¹~~98-81~~ (DA 98-1111)**

- Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell
- Proposes to “Use Accounting Safeguards used for Nonregulated Offerings”
 - Utilize existing procedures for new nonregulated services approved by the FCC
 - Examples: CPE, Inside Wire, BDS-LAN
 - CC Docket No. 96-150 (Para. 75, 76) -- e.g., SS7
 - SBC Petition for Forbearance from Section 272 for E911 (Granted 2/6/98)
dictated nonregulated accounting
 - Implement Part 64 for Investment, Revenues, Costs associated with non-regulated offering
- CAM Filing -- if needed, will file by Company
 - CAM will be reviewed by FCC and any necessary changes will be submitted
 - Required internal procedures will be established
 - CAM is audited annually by independent auditors (Ernst & Young)

ADSL TO INTERNET



WHAT RELIEF IS SBC SEEKING?

- **Forbearance from rate regulation of ADSL**
- **Forbearance from resale at a discount of ADSL**
- **Forbearance from a requirement to unbundle ADSL**

HOW WILL WE OPERATE ?

- **Service will be provided utilizing non-structural accounting safeguards**
 - **86-111 Accounting Safeguards**
 - **Implement Part 64.901-904**
 - **Currently utilized for incidental interLATA**
 - **Costs will be identified and accounted for consistent with CAM procedures**
- **Rates will be subject to imputation test for loop costs**
- **Service will be packaged by ESP's (ISP's) with their internet access services and provided to end users**
- **Utilize telephone company service representatives, marketing forces, installation and maintenance personnel, billing systems , and other administrative systems for the provision of ADSL**
- **Utilize telephone company central office space for ADSL equipment**

WHAT WILL WE PROVIDE TO CLEC's?

- **Unbundled loops made available on the same terms and conditions**
 - **Qualification utilizing the same criteria**
 - **Facility availability check**
 - **Loop length check**
 - **Spectrum management check**
 - **Failure to pass any check will result in denial of both ADSL service and unbundled loop**

WHAT WILL WE PROVIDE TO CLEC's **(cont.)?**

- **If only one loop to customer is available and CLEC provides data service, SBC will construct a second loop**
- **Both physical and virtual co-location available**
- **Resale of service available without wholesale discount**
- **Retail provider to be the provider of both voice and data service**
 - **No spectrum unbundling**